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**FRANKLIN ASSOCIATION
FOR RETARDED CITIZENS, INC.**

**Financial Statements
June 30, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 15 1999

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.

JUNE 30, 1998

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Luffey
Huffman
& Monroe

(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Alleberry, CPA
Carolyn A. Clarke, CPA

**The Board of Directors
Franklin Association for Retarded Citizens, Inc.
Winnsboro, Louisiana**

We have audited the statement of financial position of **Franklin Association for Retarded Citizens, Inc.** (a nonprofit organization - the Association) as of June 30, 1998, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 1998 on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included as "Supplementary Information" in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Association. Such information has

**The Board of Directors of Franklin
Association for Retarded Citizens, Inc.
Page 2**

been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ruffley, Huffman & Moore (APAC)

December 14, 1998

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998

ASSETS

Cash	\$	14,761
Accounts Receivable		12,459
Prepaid Expenses		917
Land, Building and Equipment		119,837
Accumulated Depreciation		(65,445)

TOTAL ASSETS	\$	82,529

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$	1,543
Payroll Taxes Payable		491
Other Accrued Liabilities		195
Capital Lease Payable		19,537

Total Liabilities		21,766

Net Assets

Unrestricted		58,613
Temporarily Restricted		2,150

Total Net Assets		60,763

TOTAL LIABILITIES AND NET ASSETS	\$	82,529

The accompanying notes are an integral part of this financial statement.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1998

UNRESTRICTED NET ASSETS

Public Support

Intergovernmental	\$	179,118
Membership		450
Total Public Support		179,568

Revenue

Sales and Service Fees		29,279
Total Public Support and Revenue		208,847

Other Support

Net Assets Released from Time Restrictions		300
Total Public Support and Revenue and Other Support		209,147

Expenses

Program Services:

Vocational Training		156,368
<i>Bertha Nelson Work Activity Center</i>		7,574
Total Program Services		163,942

Supporting Services:

Management and General		44,971
Total Expenses		208,913

Decrease in Unrestricted Net Assets		(66)
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TEMPORARILY RESTRICTED NET ASSETS

Net Assets Released from Time Restrictions		(300)
--	--	-------

Decrease in Temporarily Restricted Net Assets		(300)
--	--	-------

Decrease in Net Assets		(366)
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Net Assets at Beginning of Year		61,129
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NET ASSETS AT END OF YEAR	\$	60,763
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The accompanying notes are an integral part of this financial statement.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1998

	<u>Program Services</u>			<u>Supporting Services</u>	<u>Total Expenses</u>
	<u>Vocational Training</u>	<u>Bertha Nelson Work Activity Center</u>	<u>Total</u>		
Salaries	\$ 92,944	\$ 7,250	\$ 100,194	\$ 32,400	\$ 132,594
Payroll Taxes	7,108	-	7,108	2,479	9,587
Employee Benefits	7,071	-	7,071	4,786	11,857
Total Salaries and Related Expenses	107,123	7,250	114,373	39,665	154,038
Insurance	9,581	-	9,581	-	9,581
Interest Expense	2,644	-	2,644	-	2,644
Maintenance	671	295	966	-	966
Miscellaneous	-	-	-	5	5
Office Supplies and Postage	1,020	7	1,027	-	1,027
Professional Fees	494	-	494	5,301	5,795
Rent	2,400	-	2,400	-	2,400
Supplies	4,769	22	4,791	-	4,791
Taxes and Licenses	210	-	210	-	210
Telephone	709	-	709	-	709
Training	317	-	317	-	317
Utilities	4,686	-	4,686	-	4,686
Vehicle Expense	8,512	-	8,512	-	8,512
Total	143,136	7,574	150,710	44,971	195,681
Depreciation of Buildings and Equipment	13,531	-	13,531	-	13,531
Total Functional Expenses	156,667	7,574	164,241	44,971	209,212
Allocation of Administrative Overhead to Programs	44,966	-	44,966	(44,966)	-
TOTAL PROGRAM AND SUPPORTING SERVICE EXPENSES	\$ 201,633	\$ 7,574	\$ 209,207	\$ 5	\$ 209,212

The accompanying notes are an integral part of this financial statement.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

Cash Flows From Operating Activities

Decrease in net assets	\$	(366)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization		13,531
Changes in assets and liabilities		
Accounts receivable		(3,613)
Prepaid expenses		171
Accounts payable		(476)
Payroll taxes payable		(2,610)
Net cash provided by operating activities		6,637

Cash Flows From Financing Activities

Payments on capital lease		(12,212)
Net cash used by financing activities		(12,212)

Net Decrease in Cash (5,575)

Cash at Beginning of Year 20,336

CASH AT END OF YEAR \$ 14,761

The accompanying notes are an integral part of this financial statement.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1998

Note 1 - Description of Organization

Franklin Association for Retarded Citizens, Inc. (the Association) was established in 1972, incorporated in September 1982, and received their tax exempt status as a 501(c)(3) organization in December 1987. Its purpose is to promote the general welfare of mentally retarded persons. Its programs are designed to assist and train clients in work activity and self-help skills so they may become productive within the community. The principal program is vocational training of adults, 21 years of age and older.

Note 2 - Summary of Significant Accounting Policies

A. Financial Statement Presentation and Basis of Accounting

The Association's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 1998 the Association has no permanently restricted net assets.

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

B. Donated Services

Members, agencies, businesses, volunteers, and others contribute substantial services toward the fulfillment of projects initiated by the Association. No amounts have been reflected in the financial statements for donated services because the donated services do not meet the requirements for accounting recognition under SFAS 117.

C. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. Depreciation is computed on a straight-line basis over the useful lives of the assets. The Association utilizes estimated lives of 5 years for vehicles and leasehold improvements, 5 to 10 years for furniture and equipment, and 20 to 30 years for buildings.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1998

D. Compensated Absences

The financial statements do not include an accrual for vacation or sick pay. The Association's policy is that vacation days and/or sick days cannot be carried over to subsequent years.

E. Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

F. Programs

Vocational Training's income is derived from the Office of Developmental Disabilities, Louisiana Department of Health and Hospitals. These funds are used to train clients in vocational and prevocational activities and supportive services.

The Bertha Nelson Work Activity Center's income is derived from sales of products made by clients and services performed by clients which include janitorial, laundry, washing cars, and contract services.

G. Tax-Exempt Status

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

H. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Note 3 - Land, Buildings and Equipment

Land, buildings and equipment consist of the following at June 30, 1998:

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1998

Buildings	\$	43,670
Furniture and Equipment		15,262
Vehicles Under Capital Lease		49,155
Leasehold Improvements		1,750
Land		10,000
		119,837
Less: Accumulated Depreciation		(65,445)
Net Land, Buildings and Equipment	\$	54,392

Note 4 - Capital Leases

The Association entered into a four year lease/purchase agreement with Ford Motor Credit Company for two vans. The monthly rental is \$1,238 including interest at 10 percent.

Following is a schedule of future minimum lease payments under the capital lease at June 30, 1998:

Future Minimum Lease Payments	\$	21,046
Less: Amount Representing Interest		(1,509)
NET PRESENT VALUE OF		
FUTURE MINIMUM LEASE PAYMENTS	\$	19,537

The annual principal payments under the capital lease obligation are as follows: 1999 - \$13,500; 2000 - \$6,037.

Note 5 - Related Party Transactions

The Association has an operating lease of a building with the President of the Board. The building is used for training clients. The annual lease amount is \$2,400. The lease term is one year with an automatic renewal each year.

Note 6 - Disclosures About Concentrations

The Association received over \$173,000 in funding from the state of Louisiana through the Office of Citizens with Developmental Disabilities during the year ended June 30, 1998. This represents over 80% of the Association's revenue.

**SUPPLEMENTARY INFORMATION -
GRANT ACTIVITY**

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED JUNE 30, 1998**

<u>Grantor Program/Program Title</u>	<u>Grant Assistance Number</u>	<u>State Award Amount</u>	<u>State Financial Assistance Current Year</u>		<u>Total State Revenue to June 30, 1998</u>
			<u>Revenue Recognized</u>	<u>Expenditures</u>	
Louisiana Department of Health and Hospitals Office for Citizens with Developmental Disabilities	OCDD 000131	\$172,880	\$172,880	\$172,880	\$172,880

See Accompanying Notes to Schedule of Expenditures of State Awards.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 1998

Note 1 - General

The Schedule of Expenditures of State Awards presents the activity of all state award programs of the Association.

Note 2 - Basis of Accounting

The Schedule of State Awards is presented using the accrual basis of accounting, which is more fully described in Note 2 to the Association's financial statements.

Note 3 - Relationship to Statement of Activities

State award revenue and Medicaid revenue are included in intergovernmental revenue on the Statement of Activities. Intergovernmental revenue consists of the following:

State Awards	\$ 172,880
Medicaid Revenue	<u>6,238</u>
Total Intergovernmental Revenue	\$ <u>179,118</u>



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Franklin Association for Retarded Citizens, Inc.
Winnsboro, Louisiana

We have audited the financial statements of the **Franklin Association of Retarded Citizens, Inc.** (a non-profit corporation – the Association) as of and for the year ended June 30, 1998, and have issued our report thereon dated December 14, 1998. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their

**Franklin Association for Retarded Citizens
Winnsboro, Louisiana**

assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of management of the Association, other entities granting funds to the Association and the Legislative Auditor for the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Luffly, Huffman & Moore (LAIAE)

December 14, 1998